

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H.R. 3114

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IN THE HOUSE OF REPRESENTATIVES

Mr. LEACH introduced the following bill; which was referred to the Committee  
on \_\_\_\_\_

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## A BILL

To authorize United States participation in a quota increase  
and the New Arrangements to Borrow of the Inter-  
national Monetary Fund, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “International Monetary  
5       Fund Reform and Authorization Act of 1998”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds that—

8               (1) the International Monetary Fund (IMF)  
9       was conceived at Bretton Woods, New Hampshire,

1 to promote a sound and open world economy and a  
2 stable international financial system;

3 (2) while the international financial system has  
4 evolved significantly since the IMF was founded fifty  
5 years ago, its core mission remains focused on pro-  
6 viding advice on macroeconomic and exchange rate  
7 policy and highly conditional financial assistance, in-  
8 cluding appropriate economic and governance re-  
9 forms, to countries facing balance of payments or li-  
10 quidity problems;

11 (3) the United States, as the leading power of  
12 the post-cold-war world, has a greater interest than  
13 any other country in a strengthened IMF that  
14 multilateralizes the financial support for ongoing  
15 economic reforms in countries important to United  
16 States interests and that can respond to threats to  
17 the international financial system so that the United  
18 States does not end up serving as the world's lender  
19 of last resort;

20 (4) the United States is the only country with  
21 veto power over major IMF decisions;

22 (5) to sustain its capabilities, the IMF needs to  
23 sustain its strength relative to a rapidly expanding  
24 global economy characterized by exponential growth  
25 of global capital markets;

1           (6) the United States financial commitment to  
2           the IMF leverages several times as much from other  
3           countries, and its general resource financing is not  
4           scored as a budgetary outlay; and

5           (7) the ongoing currency and banking crisis in  
6           the Far East has affected United States financial  
7           markets and may result in a decline in United  
8           States economic growth by as much as one and one-  
9           half percent, and the United States has a vested eco-  
10          nomic and national security interest in utilizing the  
11          IMF and other multilateral mechanisms to help sta-  
12          bilize certain Asian economies.

13           **TITLE I—INTERNATIONAL**  
14           **MONETARY FUND**

15   **SEC. 101. PARTICIPATION IN QUOTA INCREASE.**

16          The Bretton Woods Agreements Act (22 U.S.C. 286–  
17   286mm) is amended by adding at the end the following:

18   **“SEC. 61. QUOTA INCREASE.**

19          “(a) IN GENERAL.—The United States Governor of  
20   the Fund may consent to an increase in the quota of the  
21   United States in the Fund equivalent to 10,622,500,000  
22   Special Drawing Rights.

23          “(b) SUBJECT TO APPROPRIATIONS.—The authority  
24   provided by subsection (a) shall be effective only to such

1 extent or in such amounts as are provided in advance in  
2 appropriations Acts.”.

3 **TITLE II—NEW ARRANGEMENTS**  
4 **TO BORROW**

5 **SEC. 201. NEW ARRANGEMENTS TO BORROW.**

6 Section 17 of the Bretton Woods Agreements Act (22  
7 U.S.C. 286e–2 et seq.) is amended—

8 (1) in subsection (a)—

9 (A) by striking “and February 24, 1983”  
10 and inserting “February 24, 1983, and Janu-  
11 ary 27, 1997”; and

12 (B) by striking “4,250,000,000” and in-  
13 serting “6,712,000,000”;

14 (2) in subsection (b), by striking  
15 “4,250,000,000” and inserting “6,712,000,000”;  
16 and

17 (3) in subsection (d)—

18 (A) by inserting “or the Decision of Janu-  
19 ary 27, 1997,” after “February 24, 1983,”;  
20 and

21 (B) by inserting “or the New Arrange-  
22 ments to Borrow, as applicable” before the pe-  
23 riod at the end.

# 1   **TITLE III—POLICY PROVISIONS**

## 2   **SEC. 301. ADVOCACY OF CERTAIN POLICIES.**

3       (a) IN GENERAL.—Title XVI of the International Fi-  
4   nancial Institutions Act (22 U.S.C. 262p–262p–5) is  
5   amended—

6           (1) by redesignating section 1622 as section  
7       1624;

8           (2) by redesignating section 1621 (as added by  
9       section 327 of the Antiterrorism and Effective  
10      Death Penalty Act of 1996; 22 U.S.C. 262p–4q) as  
11      section 1622, and by relocating such section so that  
12      it appears after section 1621 (as added by section  
13      526(e) of Foreign Operations, Export Financing,  
14      and Related Programs Supplemental Appropriations  
15      Act, 1994; 22 U.S.C. 262p–4p): and

16           (3) by inserting after section 1622 (as so redес-  
17      ignated by paragraph (2) of this subsection) the fol-  
18      lowing:

## 19   **“SEC. 1623. ADVOCACY OF CERTAIN POLICIES.**

20       “The Secretary of the Treasury shall instruct the  
21   United States Executive Director of the International  
22   Monetary Fund to use the voice and vote of the Executive  
23   Director to do the following:

24           “(1) Make the International Monetary Fund a  
25      more effective mechanism for promoting market-ori-

1       ented reform, trade liberalization, and economic  
2       growth through—

3               “(A) liberalizing the pricing, trade, invest-  
4               ments, and exchange rate regimes of countries  
5               to open countries to the competitive forces of  
6               the global economy;

7               “(B) privatizing industry to eliminate gov-  
8               ernment monopolies, close loss-making enter-  
9               prises, and reduce government control over the  
10              factors of production; and

11              “(C) economic deregulation by eliminating  
12              red tape and establishing a foundation to sup-  
13              port private contract rights.

14              “(2) Make the International Monetary Fund a  
15              more effective mechanism, in concert with appro-  
16              priate international authorities and the International  
17              Bank for Reconstruction and Development, to  
18              strengthen financial systems in developing countries  
19              and encourage the adoption of sound banking prin-  
20              ciples and practices.

21              “(3) Ensure that the International Monetary  
22              Fund does not become a lender of last resort for pri-  
23              vate investors, including commercial banks, and ac-  
24              cordingly should advocate policies which include—

1           “(A) strengthening crisis prevention and  
2           early warning signals through improved and  
3           more effective surveillance of the national eco-  
4           nomic policies and financial market develop-  
5           ments of countries, and fuller disclosure of such  
6           information to market participants;

7           “(B) accelerating work on strengthening fi-  
8           nancial systems in emerging market economies  
9           so as to reduce the risk of financial crises;

10          “(C) consideration of provisions in debt  
11          contracts that would foster dialogue and con-  
12          sultation between a sovereign debtor and its  
13          private creditors, and among those creditors;

14          “(D) consideration by the Executive Board  
15          of the International Monetary Fund of extend-  
16          ing the scope of its policy on lending to mem-  
17          bers in arrears so as to encourage and expedite  
18          such a dialogue and consultation;

19          “(E) intensified consideration of mecha-  
20          nisms to facilitate orderly workout mechanisms  
21          for countries experiencing debt or liquidity cri-  
22          ses; and

23          “(F) consideration of establishing ad hoc  
24          or formal linkages between the provision of offi-  
25          cial financing to countries experiencing a finan-

1           cial crisis and the willingness of market partici-  
2           pants to meaningfully participate in any sta-  
3           bilization effort led by the International Mone-  
4           tary Fund.

5           “(4) Make the International Monetary Fund a  
6           more effective mechanism for promoting good gov-  
7           ernance principles within recipient countries by fos-  
8           tering structural reforms that reduce opportunities  
9           for corruption and bribery.

10          “(5) Ensure that International Monetary Fund  
11          programs and assistance are structured so that gov-  
12          ernments which draw on the International Monetary  
13          Fund channel public funds away from unproductive  
14          purposes, including excessive military spending, and  
15          toward investment in human and physical capital as  
16          well as social programs to protect the neediest and  
17          promote social equity.

18          “(6) Ensure that International Monetary Fund  
19          policies and procedures endeavor to support inter-  
20          nationally recognized worker rights such as freedom  
21          to join an independent trade union and bargain col-  
22          lectively, including by—

23                 “(A) considering labor market policy in the  
24                 context of achieving macroeconomic stability



1           and providing the foundation for sustainable  
2           growth;

3           “(B) further enhancing collaboration be-  
4           tween the International Monetary Fund and the  
5           International Labor Organization; and

6           “(C) encouraging recipient governments  
7           not to discriminate against guest workers.

8           “(7) Ensure that International Monetary Fund  
9           programs and assistance are structured so as not to  
10          exacerbate or precipitate ethnic strife within a recip-  
11          ient country.

12          “(8) Ensure that the International Monetary  
13          Fund recognizes that macroeconomic developments  
14          and policies can affect and be affected by environ-  
15          mental conditions and policies, including by working  
16          independently and with the multilateral development  
17          banks to encourage countries to correct market fail-  
18          ures and to adopt appropriate environmental policies  
19          in support of macroeconomic stability and sustain-  
20          able development.

21          “(9) Facilitate greater International Monetary  
22          Fund transparency, including by enhancing acces-  
23          sibility of the International Monetary Fund and its  
24          staff, fostering a more open release policy toward  
25          working papers, past evaluations, and other Inter-

1       national Monetary Fund documents; seeking to pub-  
2       lish all letters of intent to the International Mone-  
3       tary Fund, and establishing a more open release pol-  
4       icy regarding Article IV consultations.

5               “(10) Facilitate greater International Monetary  
6       Fund accountability and enhance International Mon-  
7       etary Fund self-evaluation by establishing an oper-  
8       ations evaluation department modeled on the experi-  
9       ence of the International Bank for Reconstruction  
10      and Development, guided by such key principles as  
11      usefulness, credibility, transparency, and independ-  
12      ence.

13              “(11) Coordinate with the International Bank  
14      for Reconstruction and Development and other  
15      international financial institutions (as defined in sec-  
16      tion 1701(c)(2)) in advancing credit to small busi-  
17      nesses, including microenterprise lending.”.